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BEFORE THE ARIZONA CORPORATI

IN THE MATTER OF THE APPLICATION OF)
SOUTHWESTERN BELL COMMUNICATIONS)
SERVICES, INC. DBA SBC LONG DISTANCE)
FOR A CERTIFICATE OF CONVENIENCE AND)
NECESSITY TO PROVIDE RESOLD AND)
FACILITIES-BASED LOCAL EXCHANGE)
SERVICES IN THE STATE OF ARIZONA AND)
PETITION FOR COMPETITIVE)
CLASSIFICATION OF PROPOSED SERVICES.)

DOCKET NO.:
T-03346A-03-0844

At: Phoenix, Arizona

Date: February 5, 2004

Filed: **FEB 18 2004**

REPORTER'S TRANSCRIPT OF PROCEEDINGS

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By: COLETTE E. ROSS
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INDEX TO EXAMINATIONS

WITNESSES

PAGE

NORMAN W. DESCOTEAUX (Via teleconference)

Direct Examination by Mr. Lane
Examination by ALJ Pope7
12

Adam Lebrecht

Direct Examination by Ms. Wagner
Examination by ALJ Pope13
15

INDEX TO EXHIBITS

NO.	DESCRIPTION	IDENTIFIED	ADMITTED
A-1	Application for Certificate of Convenience and Necessity	8	9
S-1	Staff Report	14	15

1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before the
3 Arizona Corporation Commission, in Hearing Room 1 of said
4 Commission, 1200 West Washington Street, Phoenix, Arizona,
5 commencing at 10:00 on the 5th of February, 2004.

6
7 BEFORE: AMANDA POPE, Administrative Law Judge

8
9 APPEARANCES:

10 For the Arizona Corporation Commission:

11 Ms. Janet Wagner
12 Staff Attorney, Legal Division
13 1200 West Washington Street
Phoenix, Arizona 85007-2927

14 For the Applicant:

15 MR. GARY L. LANE, ESQ.
16 2929 North 44th Street
Phoenix, Arizona 85018
17 and
SOUTHWESTERN BELL COMMUNICATIONS, INC.
18 By Ms. Deborah Verbil, In-house Counsel
5850 W. Las Positas Boulevard
19 Pleasanton, California 94588
(Appearing via teleconference)

20
21
22 COLETTE E. ROSS
23 Certified Court Reporter
24 Certificate No. 50658
25

1 ALJ POPE: Good morning and welcome to the
2 Arizona Corporation Commission. This is the time and
3 place set for the hearing in the matter of the application
4 of Southwestern Bell Communications Services, Inc. doing
5 business as SBC Long Distance for a certificate of
6 convenience and necessity to provide resold and
7 facilities-based local exchange services in the state of
8 Arizona and petition for competitive classification of
9 proposed services. The Docket No. in this matter is
10 T-03346A-03-0844.

11 My name is Amanda Pope and I am the
12 Administrative Law Judge assigned to this matter. At this
13 time we will take appearances beginning with the
14 applicant.

15 MR. LANE: Good morning. The applicant
16 appears by Gary Lane, attorney.

17 ALJ POPE: Thank you, Mr. Lane.

18 And for Staff?

19 MS. WAGNER: Good morning, Your Honor. Janet
20 Wagner appearing on behalf of Commission Staff.

21 ALJ POPE: Thank you, Ms. Wagner.

22 I will note for the record that there aren't
23 any members of the public present for public comment. And
24 we will go ahead and begin.

25 Did you have an opening statement, Mr. Lane?

1 MR. LANE: No, Your Honor, waive opening
2 statement.

3 ALJ POPE: Okay. And Ms. Wagner?

4 MS. WAGNER: Your Honor, ordinarily I would
5 waive opening statement, but there is just one matter that
6 I would like to address before we begin.

7 ALJ POPE: Okay, thank you.

8 MS. WAGNER: I wanted to call your attention
9 to an opinion issued recently by the Court of Appeals,
10 Phelps Dodge versus the Arizona Electric Cooperative.

11 This decision addresses the Commission's
12 electric competition rules. And it is possible that there
13 might be some repercussions on this opinion, on
14 applications of this sort. However, the Legal Division is
15 in the process of analyzing it. We have not completely
16 analyzed all of the repercussions yet.

17 I would just note for the record that this
18 case addresses electric rather than telecom. I would also
19 note that the competitive telecom rules were subject to a
20 similar challenge and were upheld and are valid. And
21 those are the rules under which this particular
22 application was processed and evaluated.

23 And, finally, there are certain factual
24 differences that I won't go into today between the two
25 cases. It may well be that there is little, if any,

1 impact in their opinion on cases such as this.

2 So I just wanted to note that for the record
3 so that you are aware of the opinion. I don't see any
4 reason why we cannot proceed today. If, after further
5 analysis, we think that some additions to the record would
6 be necessary, we will notify you. But having said that,
7 we are ready to proceed.

8 ALJ POPE: Okay. Thank you, Ms. Wagner.

9 Mr. Lane, did you have anything to add to that
10 with regard to how you feel that decision may impact this
11 case?

12 MR. LANE: No, Your Honor. We can just deal
13 with it later on if we have to.

14 ALJ POPE: Okay. Then we will have you call
15 your first witness.

16 MR. LANE: Thank you. At this time I would
17 call, Your Honor, Norm Descoteaux.

18 Mr. Descoteaux, can you hear me okay?

19 MR. DESCOTEAUX: Yes, I can.

20 ALJ POPE: We are going to have you sworn in,
21 Mr. Descoteaux.

22

23

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25

1 NORMAN W. DESCOTEAUX,
2 a witness herein, having been first duly sworn by the
3 Certified Court Reporter to speak the truth and nothing
4 but the truth, was examined and testified as follows:
5

6 DIRECT EXAMINATION

7 BY MR. LANE:

8 Q. Would you please state your name and business
9 address for the record.

10 A. Yes. My name is Norman W. Descoteaux, spelled
11 D-E-S-C-O-T-E-A-U-X. And my business address is 5850 West
12 Las Positas Boulevard in Pleasanton, California, zip code
13 94588.

14 Q. And by whom are you employed and in what
15 capacity?

16 A. I am employed by Southwestern Bell
17 Communications Services, Inc., which also does business
18 under the name SBC Businesses. My title is associate
19 director for regulatory and I am responsible for
20 regulatory compliance for SBC Long Distance.

21 Q. How long have you been employed by SBC Long
22 Distance?

23 A. Well, I have been employed by SBC Long
24 Distance for the past four and a half years. Previous to
25 that, I began my work in telecommunications with Pacific

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1 Telephone in 1982 and I have been continuously employed by
2 Pacific Telephone, Pacific Bell and then SBC Long Distance
3 since then. During this time I have held various
4 management positions in sales, marketing, and in
5 regulatory.

6 Q. Okay. Mr. Descoteaux, the court reporter has
7 marked as Exhibit A-1 a copy of the application. And I
8 would ask you if this is a true and correct copy of the
9 application for certificate of convenience and necessity
10 that was filed in this docket on November 21, 2003.

11 A. Yes, it is.

12 Q. And have you reviewed the application?

13 A. Yes, I have.

14 Q. Is all of the information contained in the
15 application true and correct to the best of your
16 knowledge?

17 A. The information in the application was true
18 and correct at the time it was filed with the Commission.
19 There is one change that I request be made in the
20 information so it reflects a change since the application
21 was filed.

22 Q. Okay. And so are there any changes to the
23 application that you would like to make then at this time?

24 A. Yes. The one change is in the response, in
25 Section A 18 of the application. Since this application

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1 was filed, SBC Long Distance has received authority from
2 one additional state to provide local exchange service.
3 That state is Vermont. And the contact information is the
4 Vermont Public Service Board. Their address is 1112 State
5 Street in Montpelier, Vermont 05620. Their contact is
6 Susan Hudson, H-U-D-S-O-N. Her phone number is area code
7 (802) 828-2358, and her e-mail is capital C-L-D-R-K at
8 P-S-B dot state dot V-P dot U-S.

9 With this one change, the information
10 contained in the application is true and correct to the
11 best of my knowledge.

12 Q. Thank you.

13 MR. LANE: At this time, Your Honor, I would
14 offer Exhibit A-1.

15 ALJ POPE: Any objection?

16 MS. WAGNER: No objection, Your Honor.

17 ALJ POPE: A-1 is admitted.

18 BY MR. LANE:

19 Q. Have you reviewed the Staff report filed in
20 this docket?

21 A. Yes, I have.

22 Q. Do you have any specific comments to make to
23 the Staff report?

24 A. After reviewing documents, SBC Long Distance
25 is willing to operate as a local exchange carrier in

1 Arizona under the recommendations that were made in the
2 Staff report.

3 Q. When does SBC Long Distance anticipate filing
4 tariffs?

5 A. Well, we will file our initial tariffs after
6 receiving authority from the Commission granting the local
7 exchange authority we have requested, and then at least 30
8 days before we begin to provide local service in the
9 state.

10 Q. Okay. And when does SBC Long Distance
11 anticipate initially providing local exchange service in
12 Arizona?

13 A. Well, depends a little bit on when the
14 Commission grants our authority and also when we receive
15 authority from other states that we have applied in. But
16 we plan to provide local exchange service in Arizona
17 within 18 months of receiving authority from the
18 Commission.

19 Q. Okay. Is there a critical date that SBC Long
20 Distance would like to have the application --

21 A. Yes, there is.

22 Q. -- acted upon by the Commission?

23 A. Yes.

24 Q. And what date is that?

25 A. That would be by the end of the year,

1 December 31st of this year.

2 Q. Okay. And would you please explain the
3 difference between SBC Long Distance and SBC Telecom in
4 terms of the type of service they provide?

5 A. Sure. SBC Telecom is an affiliate of SBC Long
6 Distance. They provide local service to consumers and
7 business customers in select cities that are outside of
8 the states that are SBC territories. In Arizona, those
9 cities are Phoenix and Tucson.

10 SBC Long Distance is the 272 affiliate for the
11 SBC Bell operating companies. And it was created to offer
12 interLATA services to customers in the SBC states once
13 they received 271 approval from the FCC. We have
14 authority today in all 50 states to provide interexchange
15 services.

16 Our goal in seeking statewide local exchange
17 authority in Arizona is to be able to provide both
18 intraexchange and interexchange services to SBC customers
19 who have locations in the SBC in-region states but also
20 have a need for telecommunication services in Arizona and
21 want one single carrier to handle their local, intrastate,
22 interstate, and international services.

23 MR. LANE: Okay. Thank you. No more
24 questions.

25 ALJ POPE: Thank you.

1 Did you have any questions, Ms. Wagner?

2 MS. WAGNER: No questions, Your Honor.

3 ALJ POPE: Okay. I believe I had just a
4 couple of questions, Mr. Descoteaux.

5

6

EXAMINATION

7 BY ALJ POPE:

8 Q. In the Staff report -- do you have a copy of
9 that available to you at this time?

10 A. Yes, I do.

11 Q. Okay. In the Staff report on page 6, under
12 section 4, Staff has provided a summary of the complaint
13 information related to SBC Long Distance. And I was
14 wondering if you had any update with regard to what was,
15 at the time of the report, 12 pending violations, I
16 believe it is, with the Texas Public Utilities Commission.

17 A. There has been no update in the status of that
18 since this was filed.

19 Q. Okay. I think that you probably have answered
20 all of my other questions.

21 So SBC Long Distance will also be marketing
22 its services to both residential and business customers?

23 A. Our primary focus when we initially market in
24 Arizona will be to business customers. But as reflected
25 in our tariffs, we will be offering services to consumers

1 as well.

2 ALJ POPE: Okay, thank you.

3 Did you have any redirect, Mr. Lane?

4 MR. LANE: No, Your Honor.

5 ALJ POPE: Okay. Thank you, Mr. Descoteaux.

6 That's all the testimony required of you today. But you
7 can certainly stay on the line and listen to the remainder
8 of the hearing.

9 THE WITNESS: Thank you.

10 (The witness was excused.)

11 ALJ POPE: And, Ms. Wagner, did you want to
12 call your witness?

13 MS. WAGNER: Thank you, Your Honor. Staff
14 calls Adam Lebrecht.

15

16 ADAM LEBRECHT,
17 a witness herein, having been first duly sworn by the
18 Certified Court Reporter to speak the truth and nothing
19 but the truth, was examined and testified as follows:

20

21 DIRECT EXAMINATION

22 BY MS. WAGNER:

23 Q. Please state your name and your business
24 address for the record.

25 A. My name is Adam Lebrecht, last name spelled

1 L-E-B-R-E-C-H-T. And my business address is 1200 West
2 Washington Street, Phoenix, Arizona 85007.

3 Q. Mr. Lebrecht, by whom are you employed and in
4 what capacity?

5 A. I am employed by the Arizona Corporation
6 Commission. My position is Executive Consultant One.

7 Q. And in your capacity as an executive
8 consultant, were you assigned to evaluate the application
9 that is the subject of this hearing?

10 A. I was.

11 Q. Mr. Lebrecht, do you have before you an
12 exhibit that has been marked as Exhibit S-1?

13 A. I do.

14 Q. Can you identify S-1 for the record?

15 A. S-1 is a copy of the Staff report which I
16 wrote concerning Southwestern Bell Communication Services,
17 Inc.

18 Q. All right. Do you have any additions or
19 corrections to make to Exhibit S-1 at this time?

20 A. I would like to make one correction.

21 If you would turn to page 10, recommendation
22 number 10, I would like to insert the word name before
23 address. Once the word name is inserted,
24 recommendation 10 would read as follows: That the
25 applicant be required to notify the Commission immediately

1 upon changes to the applicant's name, address or telephone
2 number.

3 Q. All right. Do you have any other changes or
4 corrections?

5 A. I do not.

6 Q. Do you adopt S-1, as amended, as your
7 testimony in this proceeding?

8 A. I do.

9 MS. WAGNER: All right. Thank you,
10 Mr. Lebrecht. I have nothing further.

11 Your Honor, I would ask to move to admit
12 Exhibit S-1 at this time.

13 ALJ POPE: Okay. Any objection?

14 MR. LANE: No objection, Your Honor.

15 ALJ POPE: S-1 is admitted.

16 You are done with your questions?

17 Mr. Lane, did you have any questions?

18 MR. LANE: No questions, Your Honor.

19 ALJ POPE: Okay. I think I have just a
20 couple.

21

22 EXAMINATION

23 BY ALJ POPE:

24 Q. You heard the testimony offered by
25 Mr. Descoteaux with regard to the manner in which the

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1 affiliate will operate in the state as well as how SBC
2 Long Distance will. Do you have any recommendations with
3 regard to the future of those operations should the market
4 share of either of those entities increase?

5 A. That they notify the Commission of any changes
6 which would happen within the companies themselves --

7 Q. Okay.

8 A. -- would be my only recommendation.

9 ALJ POPE: Okay. I think that probably does
10 it for me then.

11 Did you have any redirect?

12 MS. WAGNER: No redirect, Your Honor.

13 ALJ POPE: Okay. I thank you for coming here
14 today.

15 MR. LANE: Your Honor, I would like to thank
16 you for allowing our witness to appear telephonically. It
17 made it a lot simpler.

18 ALJ POPE: I will take the matter under
19 advisement and issue a recommended opinion and order.

20 And we are off the record.

21 (The hearing concluded at 10:17 a.m.)

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STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

I, COLETTE E. ROSS, Certified Court Reporter No.
50658 for the State of Arizona, do hereby certify that the
foregoing printed pages constitute a full, true and
accurate transcript of the proceedings had in the
foregoing matter, all done to the best of my skill and
ability.

WITNESS my hand this 12th day
of February, 2004.

Colette E. Ross
COLETTE E. ROSS
Certified Court Reporter
Certificate No. 50658